KPMG

MIAMI-DADE TRANSIT
MIAMI-DADE COUNTY, FLORIDA

(An Enterprise Fund of Miami-Dade County, Florida)

Financial Statements

September 30, 2007

(With Independent Auditors' Report Thereon)

MIAMI-DADE TRANSIT
MIAMI-DADE COUNTY, FLORIDA

(An Enterprise Fund of Miami-Dade County, Florida)

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Independent Auditors' Report

The Honorable Mayor, and Chairperson, and
Members of the Board of County Commissioners
Miami-Dade County, Florida

We have audited the accompanying financial statements of the Miami-Dade County Transit Department (MDT or Transit), an enterprise fund of Miami-Dade County, Florida, as of and for the year ended September 30, 2007. These financial statements are the responsibility of the MDT's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the MDT's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in note 1, the financial statements present only the MDT and do not purport to, and do not, present fairly the financial position of Miami-Dade County, Florida, as of September 30, 2007, and the changes in its financial position and where applicable its cash flows, for the year then ended in conformity with U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Miami-Dade County Transit Department, an enterprise fund of Miami-Dade County, Florida, as of September 30, 2007, and the changes in financial position and cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2008 on our consideration of the MDT's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 14 is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of

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management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

KPMG LLP

March 19, 2008
Certified Public Accountants

MIAMI-DADE TRANSIT
MIAMI-DADE COUNTY, FLORIDA
(An Enterprise Fund of Miami-Dade County, Florida)

Management's Discussion and Analysis

September 30, 2007

(Unaudited)

Overview

Miami-Dade Transit's (MDT or Transit) management's discussion and analysis (MD&A) is designed to (i) assist the reader in focusing on significant financial issues, (ii) provide an overview of MDT's financial activity, and (iii) identify changes in MDT's financial position. It serves as an introduction to the financial statements of MDT for the fiscal year ended September 30, 2007. The MD&A represents management's analysis of MDT's financial condition and performance. Since the MD&A is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with MDT's financial statements. The financial statements include a statement of net assets; a statement of revenue, expenses, and changes in net assets; a statement of cash flows; and notes to the financial statements.

The statement of net assets presents the financial position of MDT as of a specific date. It provides information about the nature and amount of resources (assets) and obligations (liabilities), with net assets being the difference between assets and liabilities. Increases or decreases in net assets may serve as a useful indicator of changes in the financial position of MDT.

The statement of revenue, expenses, and changes in net assets presents information showing how MDT's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs which might not coincide with the timing of the related cash flows.

The statement of cash flows presents the cash activities of MDT segregated into the following four major categories: operating, noncapital financing, capital and related financing, and investing. The statement also presents the changes in cash and cash equivalents of MDT.

The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of data provided in the financial statements.

MIAMI-DADE TRANSIT
MIAMI-DADE COUNTY, FLORIDA
(An Enterprise Fund of Miami-Dade County, Florida)

Management's Discussion and Analysis

September 30, 2007

(Unaudited)

Financial Highlights

Net Assets

A summary of MDT's net assets at September 30, 2007 and 2006 is shown below, as Table 1. Total net assets as of September 30, 2007 were approximately $916 million. During fiscal year 2007, MDT's net assets decreased by approximately $23 million (or 2%). Total long-term liabilities increased by $6.8 million as a result of additional borrowings from CITT to support MDT services in existence as of November 5, 2002.

Table 1

Miami-Dade Transit

Summary of Net Assets

	Year ended September 30	
Assets	**2007**	**2006**
	(In thousands)	
Total current assets	$ 142,595	200,015
Noncurrent assets:		
Other assets	353,838	363,658
Total capital assets	1,420,821	1,398,597
Total noncurrent assets	1,774,659	1,762,255
Total assets	1,917,254	1,962,270
Liabilities		
Total current liabilities	225,725	253,920
Total long-term liabilities	775,781	768,977
Total liabilities	1,001,506	1,022,897
Net Assets		
Invested in capital assets, net of related debt	1,060,914	1,101,808
Restricted net assets	15,559	80,675
Unrestricted deficit	(160,725)	(243,110)
Total net assets	$ 915,748	939,373

Cash Deficits

MDT's operating fund ended the 2007 fiscal year with a $57.2 million cash deficit. $19.2 million will be funded by current accounts receivables that included: fuel tax refunds, pass sales corporate sales, advertising, leasing or parking facilities and other miscellaneous revenues; $21.0 million will be reimbursed from the block grant; and

the remaining $17 million will be reimbursed from MDT's disposal of real property assets and operational savings to be obtained starting in fiscal year 2008. Last year, MDT's operating cash deficit was $36.9 million compared to $57.2 million, an increase of $20.3 million.

MDT's projects funds ended 2007 with a $71.1 million cash deficit. $28.5 million will be reimbursed from Federal and State grantor agencies and the remaining $42.6 million will be reimbursed from MDT's disposal of real property assets, operational savings to be obtained starting in fiscal year 2008, and new bonds to be issued in fiscal year 2008 that will be repaid through funding generated by the half penny sales tax. Last year, MDT's project funds cash deficit was $112.4 million compared to $71.1 million, a reduction of $41.3 million.

The total cash deficit at September 30, 2007 was $128.3 million as compared to $149.3 million at September 30, 2006, or a reduction of 14%. The portion of these deficits expected to be repaid within one year are shown on the financial statements as current liabilities and netted in the due to other Miami-Dade County funds in the amount of $83 million. The remaining portion is reflected as a long-term advance from Miami-Dade County in the amount of $45 million. Due to the limited revenues available to MDT, operating expenses will continue to be adjusted to match the revenue level going forward. MDT continues to be dependent on funding from the County and various governmental entities.

A summary of changes in net assets is presented below as table 2.

Table 2

Miami-Dade Transit

Changes in Net Assets

	Fiscal year ended September 30	
	2007	2006
	(In thousands)	
Operating revenue	$ 106,387	100,939
Operating expenses	485,593	503,594
Depreciation and amortization expense	65,544	64,720
Operating loss	(444,750)	(467,375)
Nonoperating revenue (expenses):		
Governmental subsidies	137,471	120,867
Interest expense	(14,227)	(10,040)
Interest income	1,957	2,729
Other nonoperating, net	4,553	7,752
Contributions from Miami-Dade County	138,773	132,425
Contributions from CITT	152,598	118,080
Total nonoperating revenue (expenses)	421,125	371,813
Change in net assets	(23,625)	(95,562)
Net assets, beginning of the year	939,373	1,034,935
Net assets, end of the year	$ 915,748	939,373

Changes in Net Assets

Total operating revenue increased $5.4 million (or 5%), reflecting increases in all operating revenues but primarily as a result of passenger fares revenues.

MDT's total operating expenses also decreased from the prior year. The total operating expenses were $485.6 million for fiscal year 2007 as compared to $503.6 million for fiscal year 2006 ($18 million or 4% change), not including depreciation expense. Of this decrease, approximately $10.4 million resulted from decrease in services provided by the County and outside contractual and approximately $6.7 million resulted from decrease in casualty and liability due to decreased in self insurance reserves and cancellation of Metrorail excess liability premium policy because it was deemed no longer cost effective. The operating loss decreased $22.6 million (or 5%) due primarily to decreased cost of service.

Total governmental subsidies, and contributions from Miami-Dade County (the County), increased compared to the prior year. The total for fiscal year 2007 was approximately $428.8 million as compared to approximately $371.4 million for fiscal year 2006 ($57.5 million or 15% change). The reason for the increase in fiscal year 2007 was primarily due to approximately $34.5 million from Citizens' Independent Transportation Trust (CITT) for People's Transportation Trust funds related to the half penny sales surtax and approximately $6.3 million from the Contributions from Miami-Dade County related to the General Fund subsidies to MDT.

Subsidies for Operating Assistance

MDT is unable to generate sufficient revenue from operations to meet its operating expenses. Consequently, MDT is dependent on continued funding from the County and the various other governmental entities, which provide financial assistance to continue its operations. The subsidies for assistance for the years ended September 30, 2007 and 2006 are summarized in table 3 below.

Table 3

Miami-Dade Transit

Subsidies for capital and operating assistance for the years ended September 30, 2007 and 2006, were as follows (in thousands):

		2007	2006
Federal:			
FTA assistance	$	84,960	82,070
State:			
FDOT assistance		35,182	21,699
Local:			
Option gas tax		17,329	17,098
Total governmental subsidies		137,471	120,867
Contributions from Miami-Dade County		138,773	132,425
Contributions from CITT		152,598	118,080
Total governmental subsidies and contributions	$	428,842	371,372

The increase in federal assistance is primarily attributed to the Job Access and Reserve Commute Program (JARC) and New Freedom grants. These federal funds were awarded to MDT to provide improved public transportation service to meet the needs of individuals transitioning from welfare to work. The increase in the state assistance is primarily due to a new grant that was awarded to MDT by Florida Department of Transportation (FDOT) for the Earlington Heights Metrorail station to the Miami Intermodal Center (MIC) connector project.

Capital Assets

At the end of fiscal year 2007, MDT had approximately $1.4 billion invested in a broad range of capital assets. During fiscal year 2007, MDT placed into service 40 new full-sized buses for a total fleet of approximately 996 vehicles. MDT's construction in progress consists of costs related to various ongoing projects.

The following table summarizes the composition of MDT's capital assets, net of accumulated depreciation, as of September 30, 2007 and 2006. A more detailed presentation can be found at note 6 to the financial statements.

Table 4

Miami-Dade Transit

Capital Assets

		2007	2006
		(In thousands)	
Land	$	202,639	198,167
Buildings and guideway structures		1,404,484	1,404,425
Transportation and other equipment		616,280	577,114
		2,223,403	2,179,706
Construction in progress		128,783	84,712
Total capital assets		2,352,186	2,264,418
Less accumulated depreciation		(931,365)	(865,821)
Total capital assets, net	$	1,420,821	1,398,597

Debt

The following table summarizes the composition of MDT's debt as of September 30, 2007 and 2006. A more detailed presentation can be found at note 8 to the financial statements.

Table 5

Miami-Dade Transit

Summary of Department's Debt Obligation

		2007	2006	Rates
Surtax Revenue Bonds	$	137,715	140,296	4.0 – 5.0%
Sunshine State Loans		101,779	111,157	VarMax 5.0%
GE Penske Loan		18,202	19,782	4.8%
County Special Obligation Bonds		26,128	30,079	4.0 – 5.0%
	$	283,824	301,314	

Miami Dade Transit has decreased its debt by approximately $17.5 million in 2007. Debt includes a $100 million Sunshine loan through the State of Florida, which was borrowed for the purpose of purchasing new buses and certain infrastructure development. This debt will be repaid through funding generated by the half penny sales tax.

Miami-Dade County Revenue Bonds Series 2006 – On April 27, 2006, the County issued $140.5 million of Miami-Dade County Transit System Sales Surtax Revenue Bonds Series 2006. The proceeds, including the bond premium, are for the purpose of (1) paying all or a portion of the cost of certain transportation and transit projects, and (2) fund the Reserve Account in an amount equal to the Reserve Account Requirement, and (3) pay the cost of issuance of the Series 2006 bonds including the payment of the premium for a municipal bond insurance policy.

On August 26, 2004, MDT entered into a loan agreement for $22.7 million with Penske Truck Leasing (Penske) to finance the acquisition of 110 buses that were received in 2005. These buses are part of an ongoing relationship with Penske Leasing who currently operates one of the MDT garage facilities.

On September 11, 2002, the County issued Special Obligation Bonds, Series 2002A, of which approximately $25.0 million was allocated to MDT for the purchase of additional full-size buses and small-size buses. MDT has allocated approximately $25 million towards transportation projects and improvements. In addition, the County also issued Special Obligation Bonds, Series 2002, of which approximately $14.0 million was allocated to MDT for various capital improvement projects.

MDT had total outstanding debt of approximately $283.8 million as of September 30, 2007 as compared to $301.3 million as of September 30, 2006. More detailed information about MDT's long-term debt is presented in note 8 to the financial statements.

In fiscal year 1997, the County initiated efforts to enter into three capital lease-in/lease-out arrangements, each commencing at different time periods. At September 30, 2007 and 2006, MDT had cash with fiscal agent and corresponding capital lease/leaseback liability of approximately $375.3 million and $387 million, respectively, related to these lease transactions. The purpose of the leases was to create additional cash for Miami-Dade Transit.

As a component of the County, the Citizens' Independent Transportation Trust (CITT) is the 15 member independent body created to oversee the People's Transportation Plan (PTP) funded with the half percent sales surtax (Surtax). CITT approved a loan for up to $150 million in Surtax funds to support MDT services in existence as of November 5, 2005. The current repayment schedule only envisions the need to access $127.8 million as a result of the exclusion of $23.9 million of FY 2001 – 2002 shortfall existing prior to the passage of the Surtax. This shortfall was covered by the Miami Dade County General Fund and is recorded as a long-term advance. As of September 30, 2007 and 2006, the outstanding loan balance was $79.5 million and $47.8 million, respectively.

Economic Factors and Next Year's Budget

On November 5, 2002, the voters of Miami-Dade County approved the half penny (½%) sales surtax, proceeds from which will be used to construct rapid transit lines and provide funds for acquisition of additional buses and partially cover MDT's operating and maintenance costs. The scheduled service improvements to be implemented are identified in the People's Transportation Plan (PTP). During fiscal year 2005, the scheduled service improvements included more frequent Metrobus service, and significant milestones were reached in the progress of the planned Metrorail expansions and other capital projects.

Metrobus Improvements – The fleet has increased from 705 to approximately 996 buses since the passage of the one-half percent sales tax increase and the implementation of the People's Transportation Plan (PTP). The current fleet is comprised of 774 full-sized buses and 222 mini-buses, and logs 34 million annualized revenue miles, which is an increase of 8 million miles since 2002. Ridership at the end of 2007 is approximately 83.5 million boardings annually, and represents an increase of 31.7% since 2002. All buses run every 30 minutes or better in the rush hours. Some of our most popular routes run every 15 minutes or better in the height of morning and evening rush hours. In fiscal year 2007, 40 new buses were placed in service and in addition 35 new buses will be placed in service during fiscal year 2008 in replacement of existing buses.

Busway Extension – The current busway now runs from Dadeland South station to SW 264th Street in Naranja. Average weekday boardings exceed 23,000. Segment 2 will run to Southwest 344th Street in Florida City. Construction is ongoing and completion is expected in December 2007, bringing the Busway to 20 miles in length.

Bus Stop Signs and Shelters – More than 9,200 newly designed bus stop signs offer on-site route maps and schedule-frequencies, including general transit information in three different languages. All 9,000-plus bus stop signs will be installed throughout Miami-Dade County. Additionally, the County has contracted with Cemusa, Inc. to install more than 3,000 modern bus stop shelters throughout the county. Approximately 1,112 new solar

powered bus shelters have been installed with more to come in next fiscal year, including a slim line version that will fit in areas with a limited right-of-way.

Rail Service Improvements – Metrorail offers more frequent midday and weekend service. MDT plans to fully refurbish or replace all Metrorail vehicles and replace Metromover vehicles. Twenty-nine new state-of-the-art Metromover cars are being purchased. Improvements will include a sleek new design, state-of-the-art air conditioning systems and a vehicle-monitoring and control system. Twelve new Metromover cars will be delivered beginning April 2008 and the Notice-to-Proceed for the remaining 17 vehicles is due by April 2008. The first rehabilitated or replaced Metrorail vehicles are expected to come online in 2008, with completion by August 2011.

Automated Fare Collection System (AFCS) – The Automated Fare Collection System will meet MDT's needs for present and future fare collection on Metrobus and Metrorail. The scope of this project is to procure service proven state-of-the-art fare collection equipment that meet specific requirements. The AFCS is to support a smart card-based system for seamless fare integration for transit and potentially, other local transportation agencies within South Florida. Cash, credit and debit cards will be used to purchase a variety of tickets from Ticket Vending Machines, Ticket Office Machines, and Point of Sale locations.

Regional Trip Planning – The transportation web portal continues to provide a gateway to all transportation information in Miami-Dade County (Go.miamidade.gov). Links to information from a dozen travel-related agencies, including Metrobus, Metrorail, Tri-Rail and Broward County Transit service schedules, online Metropass and Sunpass sales, live traffic updates, flight schedules, cruise times and tourist information are available through the web site. Transit is also an option on the state of Florida 511 system, which has promoted regional travel utilizing the public transportation services of Miami-Dade Transit, Broward County Transit, Palm Tran and Tri-Rail. The system features voice-activated service information by telephone and options to transfer to live agents for trip planning and other assistance. A web application for trip planning is also available. While the 511 system focused on making public transit more easily accessible, as a result of reduced budgets and increased costs, Transit will no longer be part of the 511 system effective November 2008.

Metrorail and Rapid Transit Expansion Projects: Overview – Final Design on the MIC-Earlington Heights Connector is ongoing. The 2.4 mile Metrorail extension from the existing Earlington Heights Metrorail station to the Miami Intermodal Center (MIC). Completion is projected for early 2011. The recently enacted five-year federal transportation bill puts the County in a stronger position to compete for federal matching funds for the remainder of the Orange Line. In addition, the federal government in November 2005 approved $10 million for Metrorail expansion. A Record of Decision was received in April 2007 for the North Corridor Metrorail Extension. Design plans and right-of-way acquisition are being advanced. The 9.5-mile Metrorail extension will run along NW 27th Avenue from the existing Dr. Martin Luther King, Jr. Metrorail station to NW 215th Street (Broward County Line). If federal funding is obtained, completion is projected in the fourth quarter of 2014. The estimated total project cost is $1.33 billion, not including finance charges. A Supplemental Draft Environmental Impact Statement is being prepared for the East-West Corridor. The 10.1-mile Metrorail extension will run from the MIC to Florida International University (Tamiami Campus). If federal funds are awarded, completion is projected in 2016. Estimated cost is $2.28 billion.

Metrorail refurbishment and Metromover replacement – MDT is considering purchasing new Metrorail vehicles in lieu of rehabilitation. MDT is performing a Life Cycle Cost analysis to ascertain whether or not it is more cost-effective to refurbish all Metrorail vehicles or if market conditions make purchase of new vehicles the best procurement alternative. MDT has awarded a contract to Bombardier Transportation for the purchase of 29 Mover vehicles. The first 12 Mover vehicles will be delivered beginning April 2008. Notice-to-Proceed with the additional 17 replacement vehicles is due by April 2008.

The Adopted Budget for fiscal year 2008 – The adopted budget totals $438.6 million consisting of net expenditure authority in the operating fund ($388.3 million), net non-capital grant fund expenditures ($20.3 million) and debt services fund expenditures ($30.1 million); total positions are reduced by 156 from 3,876 to 3,720. The fiscal year 2008 operating plan departs significantly from prior years since the passage of the People's Transportation Plan (PTP) to responsibly target resources focused on higher quality services.

The Countywide General Fund Maintenance of Effort (MOE) is expected to be $136.6 million, a 3.5% increase above fiscal year 2007 MOE of $131.9 million as adopted in the PTP amendment in May of fiscal year 2005.

In fiscal year 2008, the Countywide General Fund support to MDT will include $5.8 million to meet the revised reinvestment schedule assumed in the December 2006 Pro Forma for the use of surtax funds through fiscal year 2009 to supplement the cost of operating the system. Total borrowings are expected to remain at a level not to exceed $127.9 million as disclosed with repayment to occur by fiscal year 2017.

During fiscal year 2008, programmed surtax support for MDT operations is expected to be $111.3 million and includes $62.3 million for bus services, $14.6 million for rail services, $11.4 million for Golden Passport support, $1.5 million to offset lost Metromover faregate revenue, and $14.3 million for Special Transportation Services (STS) support. Additionally, for impacts directly related to supporting the People's Transportation Plan, $1.3 million is required for personnel services in the Department of Human Resources, $400 thousand for procurement support, $1.4 million for technology support, and $4.2 million for facility rent and the operation of satellite information centers. Surtax support through an internal loan of $26.3 million is utilized for supporting operating expenses of the system ($17.1 million) and debt service payments incurred prior to fiscal year 2003 for buses and equipment ($9.2 million); $20.8 million of surtax funding support debt service for buses, bus capital inventory such as replacement engines and MDT major capital projects including design and construction of rail corridors, as well as capital projects amended into the PTP.

Other Projects

Golden Passport – On October 5, 1999, the Golden Passport program was implemented to provide free transit service for low-income seniors. The PTP extended the program to all Miami-Dade seniors and Social Security recipients. Approximately 173,000 seniors and Social Security recipients ride free on transit thanks to the Golden Passport, compared to 55,311 registrants just before the PTP. MDT is the only transit system in the country that provides free round-the-clock transit to seniors, and enrollment is expected to continue to increase.

Patriot Passport – The Patriot Passport provides free transit to honorably discharged veterans making $22,000 or less. There are more than 4,800 Patriot Passport registrants, and enrollment in this program is also expected to

continue to increase. There are 1,667 Patriot Passport holders that have renewed since November 1, 2007. This passport is valid through June 2008 and renewal is ongoing.

Jobs – The PTP has resulted in more than 1,476 new jobs, from bus operators to mechanics. Seventy-six new employees were hired in fiscal year 2006, and more will be hired during this fiscal year. MDT has currently approximately 3,900 employees. Once construction starts on Metrorail extensions, jobs will be plentiful. In accordance with County law, at least 10.0% of the labor force for capital construction projects in disadvantaged areas will come from within the neighborhood.

College Discount Program – MDT entered into partnerships with Miami Dade College, the University of Miami, Barry University, Florida Memorial University, St. Thomas University, Miami International University of Art and Design, and Florida International University offering half-price transit passes to students. The schools will assist MDT in promoting the use of transit services and will provide Park & Ride spaces on campus. Similar partnerships with other educational institutions of higher learning are being pursued.

These partnerships with institutions of higher learning promote public transportation and increase fare revenues to the system, while providing students with reduced fares. MDT's demonstration program provided students with a half price ($37.50) monthly transit pass. Additionally, through the College and Adult Discount Pass Program additional Park & Ride spaces have been secured for MDT park-ride passengers. As part of the program, MDC is now providing 120 parking spaces, an increase of 100 spaces including 30 additional spaces at the Kendall Campus, 50 spaces at the North Campus, and 20 spaces at the Homestead Campus.

Other Events

On June 8, 2005, the Regional Transportation Committee (RTC) approved and later the Board of County Commissioners (the Board) approved Resolution R-120-05 amending the People's Transportation Plan (PTP) to restore the General Fund support (also known as the maintenance of effort (MOE)) to MDT to the pre-surtax level of $123.7 million and annually increased the MOE by 3.5%. Included in the amendment is compliance with the terms of a Line of credit Obligation Letter, which outlines a loan approved by the Citizens' Independent Transportation Trust (CITT) for up to $150 million in surtax funds to support MDT services in existence as of November 5, 2002. The payment schedule was revised to reflect the exclusion of $23.9 million ($6.8 million operating, $17.1 million project funds) fiscal year 2001-02 shortfall existing prior to the passage of the surtax which will be covered by the Miami-Dade County General Fund.

On January 17, 2006, the Board accepted the PTP 2006 Pro Forma updated. An updated revised payment schedule was presented with a new borrowing requirement of $127.8 million.

On February 7, 2006, the project for building an extension of the existing Metrorail system to the north (North Corridor) received a "medium" rating from the Federal Transit Administration; the project received a $228 million commitment from the state to fund this amount over a five-year period. This represents the 25% from the state commitment needed to move ahead with the project. MDT received a Record of Decision (ROD) for the North Corridor on April 27, 2007.

Request for Information

Questions concerning this report or requests for additional information should be directed to the Chief Financial Officer or the Controller, Miami-Dade Transit, 701, NW 1st Court, 13th Floor, Miami, Florida 33136.

MIAMI-DADE TRANSIT
MIAMI-DADE COUNTY, FLORIDA
(An Enterprise Fund of Miami-Dade County, Florida)

Statement of Net Assets

September 30, 2007

(In thousands)

Assets

Current assets:		
Cash and cash equivalents	$	316
Receivables:		
Other Miami-Dade County Funds		10,550
Other		1,982
Governmental assistance receivables:		
Federal government		18,156
State government		32,243
Local governments		1,130
Materials and supplies inventories		36,380
Prepaid expenses and deposits		2,206
Total current unrestricted assets		102,963
Restricted assets:		
Cash and cash equivalents		15,559
Investments		24,073
Total current restricted assets		39,632
Total current assets		142,595
Noncurrent restricted assets:		
Investments		351,253
Capital assets:		
Land		202,639
Buildings and guideway structures		1,404,484
Transportation and other equipment		616,280
Construction in progress		128,783
Less accumulated depreciation		(931,365)
Total capital assets		1,420,821
Other assets		2,585
Total assets	$	1,917,254

(Continued)

MIAMI-DADE TRANSIT
MIAMI-DADE COUNTY, FLORIDA
(An Enterprise Fund of Miami-Dade County, Florida)

Statement of Net Assets

September 30, 2007

(In thousands)

Liabilities and Net Assets

Current liabilities:		
Accounts payable	$	36,604
Accrued expenses		5,317
Accrued vacation and sick pay		12,274
Due to other Miami-Dade County funds		121,396
Due CITT - loans payable		3,467
Loans payable		11,426
Bonds payable		5,902
Deferred benefit		1,573
Other		730
Total payable from unrestricted assets		198,689
Payable from restricted assets:		
Accrued interest payable		2,622
Liability for assets held in trust		341
Capital lease/leaseback liabilities		24,073
Total payable from restricted assets		27,036
Total current liabilities		225,725
Long-term liabilities:		
Accrued vacation and sick pay		21,249
Bonds payable		157,942
Loans payable		108,554
Deferred benefit		16,058
Long-term advances from Miami-Dade County funds		44,679
Due to CITT – loans payable		76,046
Total long-term unrestricted liabilities		424,528
Payable from restricted assets:		
Capital lease/leaseback liabilities		351,253
Total long-term liabilities		775,781
Total liabilities		1,001,506
Net assets:		
Invested in capital assets, net of related debt		1,060,914
Restricted for debt service		15,559
Unrestricted deficit		(160,725)
Total net assets	$	915,748

See accompanying notes to financial statements.

MIAMI-DADE TRANSIT
MIAMI-DADE COUNTY, FLORIDA
(An Enterprise Fund of Miami-Dade County, Florida)

Statement of Revenue, Expenses, and Changes in Net Assets

Year ended September 30, 2007

(In thousands)

Operating revenue:	
Passenger fares	$ 92,976
Advertising	5,271
Other	8,140
Total operating revenue	106,387
Operating expenses:	
Labor	217,867
Fringe benefits	73,985
Purchased transportation	49,138
Services	58,487
Fuel and traction power	28,233
Materials and supplies	36,651
Utilities	14,011
Casualty and liability	3,698
Depreciation and amortization expense	65,544
Leases and rentals	3,523
Total operating expenses	551,137
Operating loss	(444,750)
Nonoperating revenue (expenses):	
Governmental subsidies:	
Federal	84,960
State of Florida	35,182
Local Option Gas Tax	17,329
Interest income	1,957
Rental income	1,248
Interest expense	(14,227)
Contributions from CITT	152,598
Contributions from Miami-Dade County	138,773
Other, net	3,305
Total nonoperating revenue	421,125
Change in net assets	(23,625)
Net assets, beginning of year	939,373
Net assets, end of year	$ 915,748

See accompanying notes to financial statements.

MIAMI-DADE TRANSIT
MIAMI-DADE COUNTY, FLORIDA
(An Enterprise Fund of Miami-Dade County, Florida)

Statement of Cash Flows

Year ended September 30, 2007

(In thousands)

Cash flows from operating activities:		
Cash received from customers	$	106,613
Cash paid to suppliers		(199,709)
Cash paid to employees for services		(290,200)
Net cash used in operating activities		(383,296)
Cash flows from noncapital financing activities:		
Operating grants and subsidies received		150,463
Cash received from Miami-Dade County and CITT		293,287
Net cash provided by noncapital financing activities		443,750
Cash flows from capital and related financing activities:		
Purchases of capital assets		(83,551)
Principal paid on bonds/loans		(17,490)
Interest paid on bonds/loans		(14,321)
Cash paid for capital leases		(12,019)
Net cash used in capital and related financing activities		(127,381)
Cash flows from investing activities:		
Interest received on investments		1,957
Sales of restricted investments		12,117
Net cash provided by investing activities		14,074
Net decrease in cash and cash equivalents		(52,853)
Cash and cash equivalents at beginning of year		68,728
Cash and cash equivalents at end of year	$	15,875
Noncash Investing, Capital, and Financing Activities:		
Increase in construction in progress accrual	$	1,087

(Continued)

MIAMI-DADE TRANSIT
MIAMI-DADE COUNTY, FLORIDA
(An Enterprise Fund of Miami-Dade County, Florida)

Statement of Cash Flows

Year ended September 30, 2007

(In thousands)

Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$	(444,750)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization expense		65,544
(Increase) decrease in operating assets:		
Decrease in other receivables		226
Increase in materials and supplies inventories		(3,746)
Decrease in prepaid expenses and deposits		338
Increase (decrease) in operating liabilities:		
Decrease in accounts payable		(3,386)
Increase in accrued expenses		601
Increase in accrued vacation and sick pay		1,652
Increase in other liabilities		225
Net cash used in operating activities	$	(383,296)

See accompanying notes to financial statements.

(1) Organization

Miami-Dade Transit (MDT) is a department of Miami-Dade County, Florida (the County), charged with the operation of a unified public transit system. MDT was created on October 28, 1986, as a result of the restructuring of the former Miami-Dade County Transportation Administration. MDT is managed by a director appointed by and directly responsible to the county manager and is responsible for the management, construction and operation of Metrorail, Metrobus, Metromover, and special transportation systems. The accompanying financial statements reflect the combined operations of such systems.

On November 5, 2002, the voters of the County approved a County ordinance proposed by the Board of County Commissioners to levy and impose a one half of one percent Charter County Transit System Surtax (the Surtax) for the purpose of funding transit and roadway improvements in the County. The Peoples Transportation Plan (PTP) listed specific and roadway improvements to be supported by the proposed half-cent Surtax. The Charter County Transit System Surtax may be used for both transit and roadway improvements as well as to meet capital and operating needs of MDT.

The accompanying financial statements present MDT and are not intended to present fairly the financial position of the County and the results of its operations and where applicable, cash flows thereof, in conformity with U.S. generally accepted accounting principles.

MDT is unable to generate sufficient revenue from operations to meet its operating expenses. Consequently, MDT is dependent on continued funding from the County and the various governmental entities, which provide financial assistance to continue its operations (see note 11).

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting and Financial Reporting

MDT operates as an enterprise fund of the County. An enterprise fund is used to account for the financing of services to the public on a continuing basis with costs recovered primarily through user charges. Accordingly, MDT's financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Government Entities that Use Proprietary Fund Accounting,* gave the option of accepting Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989 that do not conflict with or contradict GASB pronouncements or not following FASB standards issued after such date. MDT elected not to apply FASB statements and interpretations issued after such date.

(b) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

(c) Cash and Cash Equivalents

For purposes of the statement of cash flows, MDT considers amounts in demand deposits, as well as short-term investments (including restricted assets), with an original maturity of 90 days or less from the date acquired to be cash equivalents.

Cash includes cash on hand, amounts in demand deposits, and positions in investment pools that can be deposited or withdrawn without notice or penalty. Cash equivalents are short-term, highly liquid securities with known market values and maturities, when acquired, of less than three months.

(d) Investments and Investment Income

Investments are made in accordance with the provisions of Chapter 125.31(1) and 218.415, *Florida Statutes* and County Ordinance 84-47, *Investment and Reinvestment of Surplus Funds.* Unrestricted investments are reported at amortized cost and unrealized gains and losses due to variations in fair value are taken into income during the year. Restricted investments (held by fiscal agent) are reported at amortized cost. Investment income is reported as nonoperating revenue when earned.

(e) Restricted Assets

Assets designated by grant terms for capital acquisitions and assets held to pay capital leases are classified in the accompanying financial statements as restricted assets.

(f) Application of Restricted and Unrestricted Assets

MDT's policy when both restricted and unrestricted assets are available to be used for a certain purpose is to use restricted assets first, then use unrestricted assets as needed.

(g) Materials and Supplies Inventories

Inventories are valued at the lower of cost, determined using an average cost method, or market. Inventories consist primarily of maintenance materials and supplies for rolling stock and other transportation equipment.

(h) Capital Assets

Capital assets are recorded at cost. Expenses for maintenance, repairs and minor renewals and betterments are expensed as incurred. Major renewals and betterments are treated as capital additions. Depreciation is provided on the straight-line method over the estimated useful life of the respective assets. The major categories of transportation property in service and their estimated useful lives are as follows:

Buildings and guideway structures	40 – 50 years
Transportation and other equipment	3 – 30 years

(i) Deferred Benefit

Deferred benefit represents the initial benefit received as a result of MDT's three capital lease/lease back transactions. The benefits are amortized against deferred benefit over the life of each of the respective leases.

(j) Pension Plan

MDT contributes to the Florida Retirement System, a cost-sharing multiemployer plan. Under GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers* (GASB No. 27), employers that participate in multi-employer defined benefit plans are required to measure and disclose an amount for annual pension costs on the accrual basis of accounting. In fiscal year 2005, the Department has adopted the provisions pertaining to pension transactions, of GASB Technical Bulletin No. 2004-2, *Recognition of Pension Benefit Expenditures/Expenses and Liabilities by Cost Sharing Employers* (the Bulletin). The adoption of the Bulletin did not have an impact on the financial statements of MDT. The provisions of the Bulletin pertaining to other post employment benefits (OPEB) transactions will be applied simultaneously with the adoption of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The impact of the adoption has not been estimated.

(k) Compensated Absences

MDT accounts for compensated absences by accruing a liability for employees' compensation of future absences according to the guidelines set by GASB Statement No. 16, *Accounting for Compensated Absences*. MDT policy permits employees to accumulate unused vacation and sick pay benefits that will be paid to them upon separation from service. MDT recognizes a liability and expense in the period vacation and sick pay benefits are earned. As of September 30, 2007, compensated absences were approximately $33.5 million.

(l) Subsidies and Grants

Subsidies and grants for operating assistance are recorded as nonoperating revenue in the statement of revenue, expenses, and changes in net assets in the accounting period in which all eligibility requirements are met.

Grants received as reimbursements for specific purposes are recognized when the expenditure is incurred. Grants earned but not received are recorded as governmental assistance receivables in the accompanying financial statements. Grants received but not earned are recorded as deferred revenue in the accompanying financial statements.

(m) Revenue Classifications

MDT defines operating revenue as those revenue and expenses that arise from transportation operations and other charges such as advertising. Nonoperating revenue includes government grants and subsidies from the County, and interest income and expense.

(n) Net Asset Classifications

Net assets are classified and displayed in three components:

Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

(3) Implementation of New Accounting Standards

In April 2004, the Governmental Accounting Standards Board issued Statement 43 (GASB 43) for financial reporting for post-employment benefit (OPEB) plans other than pension plans. GASB 43 applies to state and local governmental employers that have plans to fund OPEB costs such as healthcare and life insurance. The County does not have OPEB plan and is not affected by GASB 43.

In June 2004, the Governmental Accounting Standards Board issued Statement 45 (GASB 45) for other post-employment benefits (OPEB), which is effective for the County beginning with fiscal year ended September 30, 2008. This statement requires that the County accrue the cost of the County's retire health subsidy and OPEB during the period of employees' active employment as the benefits are being earned. It requires the unfunded actuarial accrued liability be disclosed in order to accurately account for the total future cost of OPEB and the financial impact on the County. The County has contracted for an actuarial study to estimate its OPEB liability, but as of the date of these financial statements the amount of liability has not been determined.

(4) Cash, Cash Equivalents, and Investments

The County pools substantially all cash and investments, except for separate cash and investment accounts which are maintained under legal restrictions. MDT's equity share of the total pooled cash and investments is included on the accompanying statement of net assets under the restricted caption "Cash and Cash Equivalents." MDT's total restricted investments in the amount of $375 million represent the total balance in the capital lease/leaseback transactions (see note 7).

The carrying amounts of MDT's local deposits were $316 thousand as of September 30, 2007. All cash deposits are held in qualified public depositories pursuant to *State of Florida Statutes* Chapter 280, *Florida Security for Public Deposits Act* (the Act). Under the Act, all qualified public depositories are required to pledge eligible collateral having a market value equal to or greater than the average daily or monthly balance of all public depositories' collateral pledging level. The pledging level may range from 50% to 125% depending upon a depository's financial condition and establishment period. All collateral must be deposited with an approved financial institution. Any losses to public depositors are covered by applicable deposit insurance, and sale of securities pledged as collateral and, if necessary, as assessments against other qualified public depositories of the same type as the depository in default.

Investments are made in accordance with the provisions of Chapter 125.31 (1), *Florida Statutes*, and County Ordinance 84-47, Investments and Reinvestment of Surplus Fund. The County is authorized to invest in obligations of the U.S. government, its agencies and instrumentalities, commercial paper, bankers' acceptances, repurchase agreements, certificates of deposit, and the Local Government Surplus Funds Trust Fund. The County's investments are insured or registered for which the securities are held by the County or its agent in the County's name.

As a rule, the County intends to hold all purchased securities until their final maturity date. There may be occasional exceptions, including, but not limited to the need to sell securities to meet unexpected liquidity needs.

Investments held in escrow are structured to meet future lease obligations under the capital lease/leaseback transactions have been recorded in restricted investments on the accompanying statement of net assets.

The following is a summary of MDT's pooled cash and investments at September 30, 2007:

		Fair value
U.S. government and agency securities	$	7,825
Commercial paper		4,680
SBA Pool		3,054
Total	$	15,559

(a) Credit Risk

The County's Investment Policy (the Policy) minimizes credit risk by restricting authorized investments to: Local Government Surplus Funds Trust Fund (SBA) or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act; Securities and Exchange Commission (SEC) registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits or savings accounts in qualified public depositories, pursuant to *Florida Statutes* §280.02, which are defined as banks, savings banks, or savings association organized under the laws of the United States with an office in this state that is authorized to receive deposits, and has deposit insurance under the provision of the Federal Deposit Insurance Act; direct obligations of the United States Treasury; federal agencies and instrumentalities; securities of, or other interest in, any open-end or closed-end management-type investment company or investment trust registered under the Investment Company Act of 1940, provided that the portfolio is limited to the obligations of the United States government or any agency or instrumentality thereof and to repurchase agreements fully collateralized by such United States government obligations, and provided that such investment company or investment trust takes delivery of such collateral either directly or through an authorized custodian; Commercial paper of prime quality with a stated maturity of 270 days or less from the date of its issuance, which has the highest letter and numerical rating as provided for by at least one nationally recognized rating service; Banker Acceptances which have a stated maturity of 180 days or less from the date of its issuance, and have the highest letter and numerical rating as provided for by at least one nationally recognized rating service, and are drawn on and accepted by commercial banks and which are eligible for purchase by the Federal Reserve Bank; Investments in Repurchase Agreements (Repos) collateralized by securities authorized by this policy.

The Local Government Surplus Funds Trust Fund Investment Pool (the Pool) is a "2a-7 like" pool, and the Pool account balance is stated at fair value. The Pool is governed by Chapter 19-7 of the Florida Administrative Code, which identified the rules of the State Board of Administration (SBA) for the administration of the Pool. Additionally, the Office of the Auditor General performs the operational audit of the activities and investments of the SBA.

The table below summarizes the investments by type and credit ratings as of September 30, 2007.

Investment type	Credit rating
Federal Home Loan Mortgage Corporation	AAA
Federal Home Loan Bank	AAA
Federal Farm Credit Banks	AAA
Fannie Mae	AAA
Farmer Mac	N/A
SBA	N/A
Time Deposits	N/A
Treasury Notes	N/A
Commercial Paper	A1/P1

(b) Custodial Credit Risk

The Policy requires that bank deposits be secured per Chapter 280, *Florida Statutes.* This requires local governments to deposit funds only in financial institutions designated as qualified public depositories by the Chief Financial Officer of the State of Florida and creates the Public Deposits Trust Fund, a multiple financial institution pool with the ability to assess its member financial institutions for collateral shortfalls if a default or insolvency has occurred. As of September 30, 2007 all of the County's bank deposits were in qualified public depositories.

The Policy requires the execution of a Custodial Safekeeping Agreement (CSA) for all purchased securities and shall be held for the credit of the County in an account separate and apart from the assets of the financial institution.

(c) Concentration of Credit Risk

The Policy establishes limitations on portfolio composition by investment type and by issuer to limit its exposure to concentration of credit risk. The Policy provides that a maximum of 30% of the portfolio may be invested in SEC registered money market funds with no more than 10% to any single money market fund; a maximum of 20% of the portfolio may be invested in non-negotiable interest bearing time certificates of deposit savings accounts with no more than 5% deposited with any one issuer; a maximum 75% of the total portfolio may be invested in federal agencies and instrumentalities; a maximum of 5% of the portfolio may be invested in open-end or closed-end funds; a maximum of 50% of the portfolio may be invested in prime commercial paper with a maximum of 5% to with any one issuer; a maximum of 25% of the portfolio may be invested in bankers acceptance with a maximum with any one issuer; a maximum of 60% of the portfolio may be invested in both commercial paper and bankers acceptance; a maximum of 10% of the portfolio may be invested with any one institution.

As of September 30, 2007, the County held 5% or more of the investment portfolio:

Issuer	% of Portfolio
Federal Home Loan Bank	12.68%
Federal Home Loan Mortage Corporation	11.73%
Fannie Mae	16.33%

(d) Interest Rate Risk

The Policy limits interest rate risk by requiring the matching of known cash needs and anticipated net cash outflow requirements; following historical spread relationships between different security types and issuers; evaluating both interest rate forecasts and maturity dates to consider short-term market expectations. The Policy requires that investments made with current operating funds shall maintain a weighted average of no longer than 1 year. Investments for bond reserves, construction funds and other non-operating fund shall have a term appropriate to the need for funds and in

accordance with debt covenants. The Policy limits the maturity of an investment to a maximum of 5 years.

As of September 30, 2007, the County had the following investments with the respective weighted average maturity in years.

Investment type	Weighted average in years
Federal Home Loan Mortgage Corporation	0.99
Federal Home Loan Bank	1.11
Federal Farm Credit Banks	1.31
Fannie Mae	0.70
Freddie Mac	0.20
Time Deposits	0.43
Treasury Notes	0.53
Commercial Paper	0.08

(e) Foreign Currency Risk

The Policy limits the County's foreign currency risk by excluding foreign investments as an investment option.

(5) Disaggregation of Payables

As of September 30, 2007, accounts payable and accrued expenses and contracts payables totaled $41.9 million. This amount was comprised of 30% for contracts relating to construction projects, 58% due for amounts payable for services, and 12% due to employees.

(6) Capital Assets

Capital asset activity and changes in accumulated depreciation for the year ended September 30, 2007 were as follows:

	Balance September 30, 2006	Additions and transfers	Deletions and transfers	Balance September 30, 2007
		(In thousands)		
Capital assets, not being depreciated:				
Land	$ 198,167	4,742	270	202,639
Construction in progress	84,712	67,917	23,846	128,783
Total capital assets, not being depreciated	282,879	72,659	24,116	331,422
Capital assets, being depreciated:				
Buildings and guideway	1,404,425	59	—	1,404,484
Transportation and other equipment	577,114	39,870	704	616,280
Total capital assets, being depreciated	1,981,539	39,929	704	2,020,764
Less accumulated depreciation for:				
Buildings and guideway structures	(549,689)	(30,614)	—	(580,303)
Transportation and other equipment	(316,132)	(34,930)	—	(351,062)
Total accumulated depreciation	(865,821)	(65,544)	—	(931,365)
Total capital assets, being depreciated, net	1,115,718	(25,615)	704	1,089,399
Total capital assets	$ 1,398,597	47,044	24,820	1,420,821

(7) Finance Obligations Under Capital Lease/Leaseback

	Total at September 30, 2006	Additions	Reductions/ adjustments	Total at September 30, 2007	Due within one year
Capital lease/leaseback	$ 387,345	—	(12,019)	375,326	24,073
Total capital lease/leaseback	$ 387,345	—	(12,019)	375,326	24,073

(Continued)

MDT has entered into lease transactions in which assets are leased to investors (headlease) and simultaneously leased back (sublease). At inception of the lease the investors prepaid the headlease obligation and MDT invested amounts necessary to satisfy its sublease payment obligations. Under these transactions, MDT maintains the right to continued use and control of the assets through the end of the leases and is required to insure and maintain the assets. The following table summarizes MDT capital lease/leaseback transactions as of the respective transaction date (dollars in thousands):

Lease date	Property	Prepayment received on head lease	Amount invested to satisfy sublease obligation	MDT's Initial cash benefit
5/22/97	134 Light rail cars	$ 95,996	87,933	8,063
12/23/98	Maintenance facilities	133,120	120,935	12,185
8/14/02	Qualified technical equipment	238,640	228,605	10,035

The net present value of the future sublease payments has been recorded as a long-term liability in the accompanying statement of net assets. Investments held in escrow are structured to meet future obligations under the lease have been recorded in restricted investments on the accompanying statement of net assets and consist primarily of U.S. agency securities. The funds held by the escrow agents are amortized at amounts equal to the capital lease payment schedule and are anticipated to be sufficient to satisfy the lease obligations. The benefits from these transactions net of transaction costs have been recorded as deferred revenue in the statement of net assets and are amortized over the lease term. The unamortized portion of the initial benefit (deferred benefit) at September 30, 2007 was $17,630,635. Additional information concerning the Department's capital lease can be found in the Subsequent Events Note of the financial statements.

The following schedule shows MDT's future minimum payments under sublease as of September 30, 2007:

		Minimum sublease payments
Year ending September 30:		
2008	$	24,073
2009		24,985
2010		24,477
2011		24,621
2012		24,645
2013 – 2017		174,603
2018 – 2021		274,517
Total minimum sublease payments		571,921
Less amount representing interest		(196,595)
Present value of minimum sublease payments	$	375,326

(8) Long-Term Debt

Long-term debt includes loans and bonds payable which have been issued or approved by the County for the acquisition of transit buses and construction of facilities. Changes in long-term debt are as follows:

		Total at September 30, 2006	Additions	Reductions	Total at September 30, 2007	Due within one year
Loans payable	$	130,939	—	(10,959)	119,980	11,426
Bonds payable		170,375	—	(6,531)	163,844	5,902
Total long-term debt	$	301,314	—	(17,490)	283,824	17,328

General covenants, along with debt service requirements, are as follows:

Miami-Dade County Revenue Bonds Series 2006 – On April 27, 2006, the County issued $140.5 million of Miami-Dade County Transit System Sales Surtax Revenue Bonds Series 2006 (the Series 2006 Revenue Bonds). The proceeds of $140.5 million, including the bond premium, are for the purpose of (1) paying all or a portion of the cost of certain transportation and transit projects, and (2) fund the Reserve Account in an amount equal to the Reserve Account Requirement, and (3) pay the cost of issuance of the Series 2006 bonds including the payment of the premium for a municipal bond insurance policy.

Sunshine State Governmental Financing Commission Loan (2001) – In August 2001, the County obtained a loan in the amount of $49.0 million, of which $34.0 million was allocated to MDT for the purchase of approximately 75 full-size buses and 85 small-size buses.

The loan is secured by the County's covenant to budget and appropriate in the annual budget sufficient funds from legally available non-ad valorem revenues to satisfy the debt service requirements on the loan. The loan is structured at an initial true interest cost not to exceed 5% with a ten-year maturity schedule, which coincides with the estimated life of the assets being financed.

Sunshine State Governmental Financing Commission Loan (2004) – In September 2004, the County obtained a loan in the amount of $100 million, all of which was allocated to MDT for the purchase of 167 full-size buses and 34 small-size buses.

Miami-Dade County Capital Asset Acquisition Bond Series 2002A – In September 2002, the County issued Special Obligation Bonds, series 2002A, of which $25 million was allocated to MDT for the purchase of additional full-size buses and small-size buses.

Miami-Dade County Capital Asset Acquisition Bond Series 2002B – In September 2002, the County also issued Special Obligation Bonds, Series 2002, of which approximately $14.0 million was allocated to MDT for various capital improvement projects.

Under the Bond Ordinance, the County has covenanted and agreed to annually budget and appropriate in its annual budget, by amendment, if required and to the extent permitted and in accordance with budgetary procedures provided by the laws of the State of Florida, and to pay when due directly into the appropriate fund or account created in the Bond Ordinance or to the Bond Insurer, as the case may be, sufficient amounts of legally available non-ad valorem revenues or other legally available funds sufficient to satisfy the debt service requirements on the bonds as the same become due and payable. Additional information concerning the Department's long-term debt can be found in the Subsequent Events Note of the financial statements.

The following table summarizes MDT's debt outstanding as of September 30, 2007 and 2006.

Description	Rate	Amount issued	Maturity date	Outstanding 9/30/2007
2006 Surtax Revenue Bonds	4.0 – 5.0%	$ 134,233	7/1/2036	$ 132,192
Plus unamortized premium				5,523
Less current portion				(2,142)
Bonds payable on Series 2006				135,573
2002 Capital Asset Bonds – Transit buses	5.0%	25,030	4/1/2013	16,100
Plus unamortized premium				564
Less current portion				(2,420)
Subordinate debt payable on Series 2002A				14,244
2002 Capital Asset Bonds – Other Transit equipment	4.0 – 5.0%	13,970	4/1/2013	9,105
Plus unamortized premium				360
Less current portion				(1,340)
Subordinate debt payable on Series 2002B				8,125
Sunshine State Loan	4.5%	34,000	10/1/2011	18,863
Less current portion				(3,448)
Sunshine State Loan payable				15,415
Sunshine State Loan	VarMax 5.0%	63,975	7/1/2019	54,220
Sunshine State Loan		36,025	7/1/2016	28,695
Less current portion				(6,320)
Sunshine State Loan payable				76,595
GE Penske Loan	4.8%	22,707	9/1/2016	18,202
Less current portion				(1,658)
GE Penske Loan payable				16,544
Total long-term portion of debt and loans outstanding at September 30, 2007				$ 266,496

(Continued)

Debt Service Requirements – MDT's debt service requirements to maturity for the loan and bonds, net of the current portion at September 30, 2007 are as follows (in thousands):

Transit System Sales Surtax Revenue Bonds, Series 2006 $140.5 million

Maturing in fiscal year		Principal	Interest	Total
2008	$	2,142	6,529	8,671
2009		2,250	6,422	8,672
2010		2,362	6,309	8,671
2011		2,480	6,191	8,671
2012		2,604	6,067	8,671
2013 – 2017		15,109	28,247	43,356
2018 – 2022		19,094	24,258	43,352
2023 – 2027		24,372	18,982	43,354
2028 – 2032		30,960	12,396	43,356
2033 – 2036		30,819	3,863	34,682
Total		132,192	119,264	251,456
Current portion		(2,142)	(6,529)	(8,671)
Unamortized premium/discount, net		5,523		5,523
Total long-term debt	$	135,573	112,735	248,308

Special Obligation Bonds-Series 2002A Capital Asset Bond Series 02A $25 million

Maturing in fiscal year		Principal	Interest	Total
2008	$	2,420	732	3,152
2009		2,510	641	3,151
2010		2,590	559	3,149
2011		2,720	429	3,149
2112		2,860	293	3,153
2013		3,000	150	3,150
Total		16,100	2,804	18,904
Current portion		(2,420)	(795)	(3,215)
Plus unamortized bond premium		564		564
Total long-term debt	$	14,244	2,009	16,253

Special Obligation Bonds-Series 2002 Capital Asset Bond Series 02A $14.0 million

Maturing in fiscal year		Principal	Interest	Total
2008	$	1,340	456	1,796
2009		1,405	388	1,793
2010		1,475	318	1,793
2011		1,550	244	1,794
2012		1,625	166	1,791
2013		1,710	85	1,795
Total		9,105	1,657	10,762
Current portion		(1,340)	(490)	(1,830)
Plus unamortized bond premium		360		360
Total long-term debt	$	8,125	1,167	9,292

Sunshine State Governmental Financing Commission Loan $34 million

Maturing in fiscal year		Principal	Interest	Total
2008	$	3,448	712	4,160
2009		3,606	581	4,187
2010		3,764	446	4,210
2011		3,934	304	4,238
2012		4,111	155	4,266
Total		18,863	2,198	21,061
Current portion		(3,448)	(836)	(4,284)
Total long-term debt	$	15,415	1,362	16,777

(Continued)

Sunshine State Governmental Financing Commission Loan $100 million

Maturing in fiscal year		Principal	Interest	Total
2008	$	6,320	3,106	9,426
2009		6,570	2,869	9,439
2010		6,840	2,623	9,463
2011		7,110	2,367	9,477
2012		7,390	2,102	9,492
2013 – 2017		37,790	6,120	43,910
2018 – 2019		10,895	616	11,511
Total		82,915	19,803	102,718
Current portion		(6,320)	(3,334)	(9,654)
Total long-term debt	$	76,595	16,469	93,064

On August 26, 2004, MDT entered into an agreement with the Penske Truck Leasing (Penske) for the purchase of buses in the amount of $22.7 million.

Penske/GE Equipment Loan $22.7 million

Maturing in fiscal year		Principal	Interest	Total
2008	$	1,658	838	2,496
2009		1,738	756	2,494
2010		1,824	672	2,496
2011		1,913	581	2,494
2012		2,007	488	2,495
2013 – 2016		9,062	915	9,977
Total		18,202	4,250	22,452
Current portion		(1,658)	(838)	(2,496)
Total long-term debt	$	16,544	3,412	19,956

(Continued)

(9) Other Long-Term Liabilities

Other long-term liability activity for the year ended September 30, 2007, was as follows (in thousands):

		September 30, 2006	Additions	Reductions	September 30, 2007	Amounts due within one year
Accrued vacations and sick pay	$	31,871	22,102	(20,450)	33,523	12,274
Deferred benefit		19,203	—	(1,572)	17,631	1,573
Total other long-term liabilities	$	51,074	22,102	(22,022)	51,154	13,847

(10) Risk Management

The County's risk management division (the RMD) administers property, workers' compensation, and general and automobile liability self-insurance programs. MDT, along with other County departments, participates in the County's self-insurance programs.

MDT's self-insurance programs for automobile liability and its Metrobus, Metrorail, and Metromover systems are also administered by the RMD. MDT also pays premiums to independent insurance carriers for insurance as discussed below. Under *Florida Statutes*, liability may be limited to $200,000 per occurrence in certain instances.

The Department is covered under the County's self-insurance program administered by the Risk Management Division (RMD) of the General Services Department in accordance with Florida Statute 768.28. This statute limits claims to $100,000 per person and $200,000 per occurrence without specific act of the Florida Legislature in the form of a claim bill. The Department is also covered under the County's self insurance program for Worker's Compensation in accordance with Florida Statute 440.

MDT also maintains a Commercial General Liability policy as required under a sublease agreement for five specific properties (i.e., Dadeland North Parking facility, Central Division, Coral Way Division, Northeast Division and Medley Division). The policy is an Owner, Landlords & Tenants (OL&T) policy with limits of $1,000,000 per occurrence $2,000,000 aggregate.

Property insurance coverage is provided for real and personal property of MDT under the County's Master Property Insurance Program. The limit of coverage under the program is $350 million (inclusive of deductibles/Self Insured Retention). The All Other Perils (AOP) deductible is $5 million. For named windstorm peril, the Self Insured Retention (SIR) is $200 million per occurrence Countywide.

The estimated liability for reported and unreported claims of the self-insurance programs administered by the RMD is determined annually based on the estimated ultimate cost of settling claims, past experience adjusted for current trends, and other factors that would modify past experience. Outstanding claims are evaluated through a combination of case-by-case reviews and the application of historical experience. The estimate of incurred, but not reported, losses is based on historical experience and is performed by an

independent actuary. The long-term portion of the estimated liability is recorded in the internal service fund of the County and thus is not allocated down to MDT. This amount was $24.3 million in fiscal year 2007. At September 30, 2007, the total current estimated liability for self-insurance claims of MDT was approximately $7.8 million and is included in due to other Miami-Dade County funds.

(11) Governmental Operating Subsidies and Contributions

Section 9 of the Surface Transportation Assistance Act of 1982 (Section 9) created a program to assist urban mass transportation systems in meeting their operating expenses as well as the cost of maintaining and improving their mass transportation service. The Section 9 program provides that the federal government, through the Federal Transportation Administration (FTA), will provide transit agencies with operating assistance through Federal operating subsidies. MDT also receives operating assistance from the State of Florida Department of Transportation (FDOT) and the County.

Subsidies for capital and operating assistance for the year ended September 30, 2007, were as follows (in thousands):

Federal:		
FTA assistance	$	84,960
State:		
FDOT assistance		35,182
Local:		
Option gas tax		17,329
Total governmental subsidies		137,471
Contributions from Miami-Dade County		138,773
Contributions from CITT		152,598
Total governmental subsidies and contributions	$	428,842

The continued funding of such subsidies is controlled by federal, state and local laws, the provisions of various grant contracts, regulatory approvals and subject to the availability of grant funds.

Management of MDT and the County anticipate that subsidies for operating assistance will continue to be provided during the forthcoming fiscal year. The FTA operating and maintenance assistance will be provided from the Section 5307 Urbanized Area Formula funds of the Department of Transportation and Related Agencies Appropriations Act of 1998 as well as the Surface Transportation Extension Act of 1997. The FDOT operating assistance will be provided from the Block Grant Program.

(Continued)

(12) Purchased Transportation Services

MDT has contracts with private carriers for various transit services through 2009. Two contracts with a consortium of local taxi companies provided ambulatory and nonambulatory demand response service for elderly and handicapped persons. Total expenses under these two contracts amounted to approximately $43.3 million in 2007. In addition, MDT has other contracts with local and national bus carriers to provide fixed route bus services. The total gross expense under these contracts amounted to approximately $49.1 million in fiscal 2007.

(13) Pension Costs

Defined Benefit Pension Plan

MDT, as a County department, participates in the Florida Retirement System (FRS or the System), a cost-sharing, multi-employer public employees retirement system, which covers substantially all of the County's full-time and part-time employees. The System was created in 1970 by consolidating several employee retirement systems. All eligible employees, as defined by the State, who were hired after 1970 and those employed prior to 1970 who elect to be enrolled are covered by the System. The System is administered by the Florida State Board of Administration, under the guidelines and rules of the Florida Legislature.

Most employees are vested with 6 years of service and upon reaching age 62, or with completion of 30 years of service. Employees who meet these requirements are entitled to a retirement benefit payable monthly for life equal to 1.6% – 3.0%, depending on their service class, of their average final compensation for each year of credited service. Final average compensation is the employee's average of the five highest fiscal years of salary earned during credited service. Vested employees may retire before age 62 and receive benefits that are reduced 5% for each year prior to normal retirement age or date. The System also provides death and disability benefits. Benefits are established by Chapter 121, *Florida Statutes*, and Chapter 60S, *Florida Administrative Code.*

The Florida Legislature created a new defined contribution program that was added to the menu of choices available to FRS members beginning in June 2002. Formally created as the Public Employee Optional Retirement Program (PEORP), the FRS Investment Plan is available as an option for all current and future FRS members, including renewed members (FRS retirees who have returned to FRS employment). The FRS Investment Plan is a defined contribution plan where the contribution amount is fixed by a set percentage determined by law and the contribution is made to an individual account in each participant's name. With a defined contribution plan, in which the monthly contribution rate is fixed, the final benefit will be the total account value (contributions plus investment earning less expenses and losses) distributed during retirement.

The payroll for MDT employees covered by the System for the year ended September 30, 2007 was approximately $218 million.

Pension costs made, required and defined by the System, ranged between 9.85% and 20.92% of gross salaries for the year ended September 30, 2007. Pension costs for MDT for the years ended September 30, 2007, 2006, and 2005, as required and defined by the System, were approximately $21.2 million, $17.9 million, and $15.3 million, respectively, equal to the required contributions for each year. MDT's actuarially determined contribution requirements for fiscal year 2007, 2006, and 2005 represented less than 1.0% of the total contributions required of all of the System's participating agencies.

The complete financial report of the FRS may be obtained by writing Division of Retirement, P.O. Box 9000, Tallahassee, Florida, 32315-9000; or by contacting Research & Education by e-mail at rep@dms.myflorida.com, or by phone toll free at 877-FRS-1FRS (877-377-1737), at 850-488-5706 in the Tallahassee local calling area, or at SUNCOM 278-5706.

Deferred Compensation Plan

The County offers its employees a deferred compensation plan (the Plan) created in accordance with Internal Revenue Code Section 457. The Plan, available to all County employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

In accordance with the provisions of Section 457, the assets and income of the Plan are held in trust for the exclusive benefit of the participants and their beneficiaries. The County has given fiduciary responsibility to an external third party, and as such, the assets and income of the Plan are not reported in the County's Comprehensive Annual Financial Report nor the accompanying financial statements.

(14) Related-Party Transactions

Various departments within the County provide goods, administrative services, public safety, maintenance and various other services to other operating departments. Charges for these services are determined using direct and indirect cost allocation methods or amounts determined based upon direct negotiations between the related parties. Charges for services provided to MDT by other County departments, which are included in services expense in the accompanying statement of revenue and expenses and changes in net assets, amounted to approximately $9.0 million for the year ended September 30, 2007.

The County has committed to provide funding to MDT to meet its operating obligations. During the current year, the County advanced approximately $45 million related to transfers to cover cash deficits and is included in the statement of net assets as a long-term advance from Miami-Dade County, as it is not expected to be repaid within one year. Additionally, a current liability in the amount of $121 million due to the County is included in the statements of net assets relates primarily to transfers to cover cash deficits, which is expected to be repaid within one year.

As a component of the County, the Citizens' Independent Transportation Trust (CITT) is the 15-member independent body created to oversee the People's Transportation Plan (PTP) funded with the half-percent sales surtax (Surtax). The Miami-Dade County Board of County Commissioners approved a general fund support to MDT at the pre-Surtax level of $123.7 million and an annual increase of 3.5%. Additionally, the CITT approved a loan for up to $150 million in Surtax funds to support MDT services in existence as of

November 5, 2005. The current repayment schedule only envisions the need to access $127.8 million as a result of the exclusion of $23.9 million of FY 2001 – 2002 shortfall existing prior to the passage of the Surtax. This shortfall was covered by the Miami-Dade County General Fund and is included as part of the a long-term advance.

As of September 30, 2007, the outstanding loan balance due to CITT was approximately $79.5 million and is included in the Statement of Net Assets as a long-term advance from Miami-Dade County. The current portion of the advance is included in Due to Other Miami-Dade County Funds.

Maturing in fiscal year		Principal	Interest	Total
2008	$	3,467	2,385	5,852
2009		5,737	2,281	8,018
2010		8,189	2,109	10,298
2011		10,834	1,864	12,698
2012		13,684	1,539	15,223
2013 – 2017		37,602	1,778	39,380
	$	79,513	11,956	91,469

(15) Commitments and Contingencies

(a) Federal Awards and State Grants

Federal grant awards are subject to audit in accordance with OMB Circular A-133 to determine compliance with the terms and conditions of the grant awards. State of Florida grant awards are subject to audit by the respective Florida grantor agencies. It is management's opinion that no material liabilities will result from any such audits.

(b) Litigation

MDT, as a department of the County, is subject to a variety of suits and proceedings arising in the ordinary conduct of its affairs. The County, after reviewing the current status of all pending and threatened litigation with respect to the operations of MDT, believes that while the outcome of litigation cannot be predicted, the final settlement of all lawsuits which have been filed and of any actions or claims pending or threatened against the County or its officials in such capacity, are adequately covered by the County's self-insurance program or will not have a material adverse effect upon the financial position of MDT.

(c) Contracts and Commitments

Contracts and commitments relating to bus maintenance projects and other construction projects approximated $87.6 million at September 30, 2007. Funding will be provided by local sources.

(16) Subsequent Events Note

Local Government Surplus Fund Investment Pool

As discussed in Note 4, at September 30, 2007, Miami-Dade County had $512,212,420 invested in the State Board of Administration's Local Government Surplus Funds Trust Fund Investment Pool (the Pool). During the month of November 2007, the county began making withdrawals from the Pool until all funds were withdrawn by November 27, 2007.

On November 29, 2007, the State Board of Administration implemented as temporary freeze on the assets held in the Pool due to an unprecedented amount of withdrawals from the Fund coupled with the absence of market liquidity for certain securities within the Pool.

The significant amount of withdrawals followed reports that the Pool held asset-backed commercial paper that was subject to sub prime mortgage risk. On December 4, 2007, based on recommendations from an outside advisor, the State Board of Administration restructured the Pool into two separate pools. Pool A consisted of all money market appropriate assets, which was approximately $12 billion or 86% if Pool assets. Pool B consisted of assets that defaulted on a payment, paid more slowly than expected, and/or had any significant credit and liquidity risk. These assets had had an approximate value of $2 billion or 14% of Pool assets. At the time of the restructuring, all current pool participants had their existing balances proportionately allocated into Pool A and Pool B.

Currently, Pool A participants may withdraw 15% of their balance or $2 million, whichever is greater, without penalty. Withdrawals from Pool A in excess of the above limit are subject to a 2% redemption fee. New investments in Pool A are not subject to the redemption fee or withdrawal restrictions. Future withdrawal provisions from Pool A will be subject to further evaluation based on the maturities of existing investments and the liquidity requirements of the Pool. On December 21, 2007, Standard and Poor's Ratings Services assigned its "AAAM" principal stability fund rating to Pool A.

Currently, Pool B participants are prohibited from withdrawing any amount from the Pool and a formal withdrawal policy has not yet been developed. Market valuations of the assets held in Pool B are not readily available. In addition, full realization of the principal value of Pool B assets is not readily determinable.

As of March 19, 2008, Miami-Dade County does not have investments in Pool A or B. Additional information regarding the Local Government Surplus Funds Trust Fund may be obtained from the State Board of Administration.

Auction Rate Bonds, Sunshine State Governmental Financing Commission Loans, and Capital Lease/Leaseback

Subsequent to year end, several of the bond insurers have been placed on ratings watch and some have been downgraded from AAA to AA or A by rating agencies due to their exposure to asset-backed securities. Auction rate securities and other variable rate debt obligations trade based on the insurance ratings. Since the bond insurers have been placed on ratings watch, the financial markets have experienced

significant turmoil and the auction rate bonds have traded at much higher rates than normal. Additionally, the County has loans outstanding from the Sunshine State Governmental Financing Commission which are commercial paper obligations backed by insurance and a line of credit. These loans are also experiencing significant trading problems. MDT has also a capital lease insured by one of the companies referred to above. Its rating is still within the required level under the lease agreement.

As of September 30, 2007, these auction rate bonds and Sunshine State Governmental Financing Commission loans were outstanding: Capital Asset Auction Rate Series 2002B $25.2 million and the Sunshine Loans $101.8 million.

The County is looking at various options to reduce the risk of paying higher interest rates due to the continued instability in the variable rate market. These options include:

- The conversion of Auction Rate Bonds to a fixed mode
- The conversion of Auction Rate Bonds to a variable rate mode supported by a letter of credit from a financial institution
- The refunding of Auction Rate Bonds or Sunshine Loans through a private placement or loan from a qualified banking institution
- Obtaining alternate bond insurance from an insure that has stronger credit and is not on credit watch